



Arizona Local Exchange Carriers A:

0000036804

Review & Possible Revision of Arizona Universal Service Fund Rules, Article 12 of the Arizona Administrative Code

Docket No. RT-00000H-97-0137

Summary

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Arizona Local Exchange Carrier Association ("ALECA") is comprised of fourteen (14) local exchange providers serving some of the most rural areas of Arizona. The member companies included are:

Accipiter Communications, Inc.
 CenturyTel
 Citizens Communications (Representing three companies)
 Gila River Telecommunications
 Midvale Telephone Exchange, Inc.
 South Central Telephone
 Table Top Telephone
 TDS Telecom (Representing two companies)
 Tohono O'odham Utility Authority
 Valley Telephone Cooperative, Inc. (Also representing Copper Valley Telephone, Inc.)

Eight (8) of our members serve Native American lands and two (2) of these are owned by the tribe that is served. ALECA's membership is unique in that it represents both tribal and non-tribal companies and both commercially owned and member-owned cooperatives within our state. The common link that brings ALECA together as a group is that all our member companies strive to bring service to most of the rural high cost areas in Arizona.

The economic challenges of serving rural and insular areas impact both the incumbent and competitor. The comments filed by the parties in this docket reflect this sentiment. Every participant in this filing agrees that the rules must change. Several common themes have come to light in this docket:

- AUSF should be straightforward and cost-effective for carriers to obtain;
- AUSF should bear a level of financial responsibility to support the cost of providing essential telecommunications services to all Arizona subscribers, both currently served and unserved;
- AUSF should provide financial incentives for carriers to actively provide service in underserved or unserved areas; and,
- AUSF must **only** be available to carriers that have been designated as an ETC;

ALECA, along with the majority of the other participants, states that a rate case filing **should not** be required in order to receive funding. ALECA recommends that: (1) an Eligible Telecommunications Carrier qualifies to receive AUSF support whenever its unseparated loop cost per working loop exceeds 115% of the national average cost per loop, as prescribed by 47 CFR Part 36 and calculated by the Universal Service Administrative Company; (2) The amount of AUSF support that a qualifying ETC shall receive in any given year shall be the difference between its unseparated loop cost per working loop and 115% of the national average cost per loop multiplied by the number of working loops, less the per loop amount received from the appropriate federal universal support mechanisms; and (3) ETCs demonstrating need for supplemental revenues in advance of scheduled federal HCF revenues may request emergency treatment for 12-24 months between imposition of actual costs and commencement of increased federal support.

The primary benefit of the AUSF could be defined as a program that provides stability to Arizona telecommunication providers, as it stands ready to bridge the gap between current federal support and the actual cost to provide such universal service in rural high cost areas. If federal USF remains stable, there may be no cost at all to the AUSF.

We strongly feel that AUSF support should be available to the tribal companies operating in Arizona using the same qualifications as any other company in the state. Using the existing federal universal service support mechanisms that are in place, this goal could easily be accomplished without adding any undue regulatory burden to the parties involved.

Arizona Corporation Commission

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ALECA believes only those carriers that provide the Basic Telecommunications Service elements, as defined within both the FCC's Docket No. 96-45 and within the Arizona Corporation Commission rules (R14-2-1201.6), and that also have Eligible Telecommunications Carrier status should have AUSF funding made available to them. The designation as an ETC is a critical factor for both federal and state universal service funding. It is imperative that the Commission have a mechanism in place to adequately evaluate the impact and intent of each carrier seeking these funds. The long term availability of the fund and ultimately the preservation of the goal for universal service within Arizona will hinge largely on how well the Corporation Commission is able to determine the level of commitment of each of these carriers in the state.

ALECA would support changes in AUSF rules that would provide incentives for carriers to establish service in currently unserved (open territory) areas. A crucial factor in any decision to serve in these areas is to determine if the area in question exhibits the potential for sustainable long term economic viability with a predicable and stable stream of income – from whatever source – be it local revenues, interstate and intra-state access, USF or AUSF. We believe the first step is for the Commission to establish mechanisms to make AUSF support available so that carriers will be able to serve these areas. If adequate support mechanisms are in place, there should be no need to force anyone to serve. ALECA does not believe the ACC should force carriers into providing service; rather it should create an environment where sufficient cost recovery is available to offset the financial risk inherent in providing service to ANY remote or rural area. ALECA cannot emphasize too strongly the need for stability as an incentive for investment.

ALECA supports AUSF funding as a critical part for the cost recovery of the line extension and recognizes the potential need for ongoing support if the cost of construction, operation and maintenance exceeds what would ordinarily be economically feasible and viable based on the particular business dynamics of the carrier in question.

In addition to determining the economic viability of extending service to an unserved area there are various regulatory requirements and hurdles that will add significant cost and time to the process. Those requirements include the need for the carrier to obtain a CC&N as well as various approvals and/or waivers from the FCC regarding such factors as amending a carrier's existing Study Area and subsequent approval to make such an area eligible for the USF and the AUSF. Again, we emphasize that procedures are in place and readily available data exists that could provide complete cost documentation for the Commission to perform its fiduciary responsibilities to the citizens of Arizona.

ALECA does not see a need to broaden the definition of basic support in this proceeding. It is always necessary in our technology-based industry to look forward to the advantages new services can bring to our communities. It is important to note that in areas which are unserved or underserved, the very basic services are limited or non-existent. ALECA feels strongly that bringing basic services into these areas should be the focus of this proceeding before any analysis of advanced services can be addressed.

In closing, ALECA would submit that the Oklahoma USF rules might provide a blueprint for Arizona to consider. Oklahoma rules provide the necessary supplemental support in case of federal support reductions. They rely upon existing data to support a filing for state funding. ALECA proposes that Arizona's ETC carriers could request AUSF upon a simple showing that universal service costs, as currently defined in FCC rules, are not getting recovered through federal mechanisms and the shortfall would be supplemented by AUSF.